



**NATIONAL UNION FIRE INSURANCE COMPANY OF
PITTSBURGH, PA.
(A Capital Stock Company)
70 PINE STREET
NEW YORK, N.Y. 10270-0150**

EXCESS EDUCATORS PROFESSIONAL LIABILITY INSURANCE

NOTICE: THE LIMIT OF LIABILITY AVAILABLE TO PAY JUDGEMENTS OR SETTLEMENTS SHALL BE REDUCED BY AMOUNTS INCURRED FOR LEGAL DEFENSE. FURTHER NOTE THAT AMOUNTS INCURRED FOR LEGAL DEFENSE SHALL BE APPLIED AGAINST THE DEDUCTIBLE AMOUNT.

DECLARATIONS

RENEWAL OF: N/A **POLICY NUMBER: 492-37-07**

ITEM 1. NAMED INSURED: STATE OF GEORGIA

MAILING ADDRESS: Department of Administrative Services
200 Piedmont Avenue S.E.,
Suite 1208 West Tower
Atlanta, GA 30334

ITEM 2. POLICY PERIOD: From: 7/1/2005 To: 7/1/2006
(12:01 A.M. standard time at the address stated in Item 1. above).

ITEM 3. LIMITS OF LIABILITY:

Coverage A & B	\$ 1,000,000	per Insured per Wrongful Act
	\$ 3,000,000	aggregate per Insured for all Wrongful Acts
Coverage C	\$ 2,000	per Bail Bond per Insured.
Coverage D	\$ 500	per claim per Insured.
Coverage E	\$ 25,000	per Suit (as defined in Subparagraph (1)(3) in the Definitions Section) per Insured.

ITEM 4. FORMS ATTACHED: Georgia Manuscript

ITEM 5. CONTINUITY DATE: 7/1/2005

ITEM 6. RATE AND PREMIUM:

PER Full-time Educator -	\$ 5.05
PER Part-time educator -	\$ 3.22
PER Administrative Employee -	\$ 9.64

Adjustment - The premium specified below is provisional and is based on the number of members anticipated at inception. The Named Insured agrees to maintain a record of the number of members as of the end of each policy period (based on the inception date of the program). At the end of each policy period a premium adjustment will be made.

Deposit Premium: \$ 685,672


AUTHORIZED REPRESENTATIVE

POLICYHOLDER DISCLOSURE STATEMENT
UNDER
TERRORISM RISK INSURANCE ACT OF 2002

You are hereby notified that under the federal Terrorism Risk Insurance Act of 2002 (the "Act") effective November 26, 2002, you now have a right to purchase insurance coverage for losses arising out of an Act of Terrorism, which is defined in the Act as an act certified by the Secretary of the Treasury (i) to be an act of terrorism, (ii) to be a violent act or an act that is dangerous to (A) human life; (B) property or (C) infrastructure, (iii) to have resulted in damage within the United States, or outside of the United States in case of an air carrier or vessel or the premises of a U.S. mission and (iv) to have been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion. You should read the Act for a complete description of its coverage. The Secretary's decision to certify or not to certify an event as an Act of Terrorism and thus covered by this law is final and not subject to review. There is a \$100 billion dollar annual cap on all losses resulting from Acts of Terrorism above which no coverage will be provided under this policy and under the Act unless Congress makes some other determination.

For your information, coverage provided by this policy for losses caused by an Act of Terrorism may be partially reimbursed by the United States under a formula established by the Act. Under this formula the United States pays 90% of terrorism losses covered by this law exceeding a statutorily established deductible that must be met by the insurer, and which deductible is based on a percentage of the insurer's direct earned premiums for the year preceding the Act of Terrorism.

COPY OF DISCLOSURE SENT WITH ORIGINAL QUOTE

Insured Name: *STATE OF GEORGIA*

Policy Number: *492-37-07*

Policy Period Effective Date From: *July 1, 2005*

To: *July 1, 2006*



**NATIONAL UNION FIRE INSURANCE COMPANY OF
PITTSBURGH, PA.
175 WATER STREET
NEW YORK, N.Y. 10038**

EXCESS EDUCATORS PROFESSIONAL LIABILITY INSURANCE

The Company agrees with the Named Insured set forth in the Declarations made a part hereof, in consideration of payment of the premium and subject to the limits of liability, exclusions, conditions and other terms of this policy;

INSURING AGREEMENTS

Coverage A—Excess Liability Coverage

The Company shall pay on behalf of any Insured all sums, in excess of an Employer's:

1. commercial general liability,
2. errors and omissions coverage,
3. employment practices liability policies, and
4. any other valid and collectible insurance;

(the "Listed Coverages") which such Insured shall become obligated to pay by reason of liability imposed by law for Damages and Defense Expenses resulting from any Claim first made against the Insured during the Policy Period (as set forth in Item 2 of the Declarations) and reported to the Company in writing as provided in this policy during the Policy Period or Extended Reporting Period (if applicable), for any Wrongful Act committed or omitted during or prior to the Policy Period. Such Wrongful Acts must arise from such Insured's Professional Activities.

Coverage B—Liability Coverage

1. *Damages*: Only in the event that no Listed Coverage affords or may afford valid and collectible coverage to a Claim, this policy shall pay on behalf of any Insured all sums which such Insured shall become obligated to pay by reason of liability imposed by law for Damages resulting from any Claim first made against the Insured during the Policy Period and reported to the Company in writing as provided in this policy during the Policy Period or Extended Reporting Period (if applicable), for any Wrongful Act committed or omitted during or prior to the Policy Period. Such Wrongful Acts must arise from such Insured's Professional Activities.
2. *Defense*: The Company has the right and duty to defend a Suit brought against an Insured alleging a Wrongful Act even if the Suit is groundless, false or fraudulent. The Company has the right to settle any Suit if the Company believes that it is proper to do so.

The Company has the right to investigate any Claim.

Defense Expenses are part of and subject to our Limit of Liability. Our duty to defend ends after the applicable Limit of Liability has been exhausted by payment of Defense Expenses or Damages.

In all events, the Company's maximum Limit of Liability for all Damages and Defense Expenses in the aggregate arising from all Claims under Coverages A and B policy which allege the same or Related Wrongful Acts, shall be an amount no greater than the Limit of Liability listed in Item 3 of the Declarations.

Coverage C -- Bail Bonds

The Company shall reimburse an Insured for any premium for bail bonds required of an Insured arising out of Professional Activities committed or omitted during the Policy Period. Such premium shall not exceed the amounts set forth in Item 3 of the Declarations, per insured and per year. The Company shall not have any obligation to apply for or furnish any such bond.

Coverage D—Excess Assault-Related Personal Property Damage

The Company shall reimburse an Insured in excess of:

1. Employers'
 - (a) commercial general liability,
 - (b) errors and omissions coverage,
 - (c) employment practices liability policies, and
 - (d) any other valid and collectible insurance; and
2. such Insured's
 - (a) Homeowners,
 - (b) Personal Property Floaters, and
 - (c) any other valid and collectible insurance

for up to \$500 in damage to or destruction of an Insured's personal property occurring during the Policy Period that is directly and proximately caused by an assault upon such Insured while such Insured is performing Professional Activities. This coverage does not apply to damage or destruction of a vehicle of any kind, or to damage to or destruction of leased or loaned property.

Coverage E -- Criminal Defense Reimbursement Coverage

The Company shall reimburse all Defense Expenses incurred by an Insured resulting from a Suit, as defined in subparagraph (I)(3) below in the Definitions Section, first made against the Insured during the Policy Period and reported to the Company in writing as provided in this policy during the Policy Period or Extended Reporting Period (if applicable), for any Wrongful Act committed or omitted during or prior to the Policy Period and arising from such Insured's Professional Activities. Provided, however, coverage afforded under this

Insuring Agreement shall only apply to those Suits where a determination of No Liability of all Insureds.

The Company does not assume any duty to defend under this Insuring Agreement. The Company also does not assume any obligation to reimburse any Insured until a determination of No Liability of all Insureds.

DEFINITIONS

- a. "Bodily Injury" means physical injury, sickness, disease, pain or death, mental anguish, mental injury, shock, humiliation or emotional distress.
- b. "Claim" means:
 - (1) a written or oral demand for money, services, non-monetary relief or injunctive relief; or
 - (2) a Suit.
- c. "Continuity Date" means the date set forth in Item 5 of the Declarations.
- d. "Damages" means any amount that an Insured shall be legally required to pay because of judgments, arbitration awards or the like rendered against such Insured, or for settlements negotiated by the Company in accordance with Coverage B, including pre-judgment interest, and post-judgment interest that accrues after entry of judgment and before the Company has paid, offered to pay or deposited in court that part of the judgment within the applicable Limit of Liability. "Damages" shall not include and this policy shall not cover: (1) any amounts for which such Insured is not financially liable or for which there is no legal recourse against such Insured; (2) taxes; (3) fines; (4) the costs and expenses of complying with any injunctive or other form of equitable relief; or (5) matters that may be deemed uninsurable under the law.
- e. "Defense Expenses" means all reasonable and necessary fees charged by an attorney appointed by the Company in connection with any Suit brought against an Insured alleging a Wrongful Act, as well as all other reasonable and necessary fees, costs and expenses incurred in the defense or investigation of a Claim by the Company or by an Insured as provided herein. "Defense Expenses" shall also include premiums for appeal bonds for covered judgments or bonds to release property used to secure a legal obligation, if required in any Claim against an Insured for such Insured's Wrongful Acts; however, the Company has no obligation to appeal or to obtain bonds. "Defense Expenses" does not include salary charges or expenses of any Named Insured or any of their employees.
- f. "Insured" means any past, present or future full time or part time certified educator and administrator or a student teacher, employed by a Named Insured.
- g. "Named Insured" means:
 - (1) The State of Georgia, and
 - (2) The Districts' School Boards as Employer of Full-time and Part-time Educators and Administrative Personnel.

- h. "No Liability" means: (1) a final judgment of no liability obtained prior to trial, in favor of all Insureds, by reason of a motion to dismiss or a motion for summary judgment, after the exhaustion of all appeals; or (2) a final judgment of no liability obtained after trial, in favor of all Insureds, after the exhaustion of all appeals. In no event shall the term "No Liability" apply to a Claim made against an Insured for which a settlement has occurred.
- i. "Professional Activities" means activities of an Insured in the course and scope of his or her duties as an employee of a Named Insured.
- j. "Property Damage" means: (1) physical injury to or loss or destruction of tangible property including the resulting loss of use thereof, and/or (2) loss of use of tangible property which has not been physically injured or destroyed. For the purpose of this definition, "tangible property," shall include electronic data.
- k. "Related Wrongful Acts" shall mean Wrongful Acts which are the same, related or continuous, or Wrongful Acts which arise from a common nucleus of facts. Claims can allege Related Wrongful Acts regardless of whether such Claims involve the same or different Claimants, Insureds or legal causes of action.
- l. "Suit" means:
 - (1) a civil proceeding for monetary, non-monetary or injunctive relief which is commenced by service of a complaint or similar pleading;
 - (2) a binding arbitration proceeding in which Damages are alleged and to which an Insured must submit or does submit with the Company's prior written consent; or
 - (3) with respect to Coverage E only, a criminal proceeding which is commenced by the return of an indictment, or receipt or filing of a notice of charges.
- m. "Wrongful Act" means any actual or alleged negligent act, error or omission, breach of duty, misstatement or misleading statement committed in the Insured's performance of or failure to perform Professional Activities.

AUTOMATIC COVERAGE EXTENSIONS

If a Named Insured should hire a new:

- (1) full time educator; or
- (2) a part time educator or administrator who elects to purchase the coverage under this policy,

during the policy period, then coverage shall be automatically extended to such educator as of the official date of hire for Wrongful Acts on or after such date. Each and every Named Insured, separately or on a consolidated basis through the State of Georgia, shall report changes in personnel to the Company on an annual basis to:

Eastern Zone—Vice President
Professional Liability Division
National Union Fire Insurance Company of Pittsburgh, Pa.
(At the address set forth above.)

TERRITORY

This policy applies to Claims made anywhere in the world.

EXCLUSIONS

This policy does not apply to any Claim:

- (a) alleging or arising out of activities of an Insured that are not Professional Activities;
- (b) alleging or arising out of activities of an Insured that are carried on in a private business, private professional endeavor or private school;
- (c) alleging or arising out of the ownership, maintenance, operation, use, loading or unloading of vehicles of any kind;
- (d) alleging or arising out of liability assumed by the Insured under any contract or agreement;
- (e) alleging or arising out of Bodily Injury, Property Damage or destruction due to war or terrorism, whether or not declared, civil war, insurrection, rebellion, or revolution, or to any act or condition incidental to any of the foregoing;
- (f) alleging or arising out of any obligation for which the Insured or any carrier may be held liable under worker's compensation, unemployment compensation, disability benefits or similar laws;
- (g) alleging or arising out of the rendering or failing to render, teach or supervise medical, surgical, dental, nursing or other similar services;
- (h) alleging or arising out of any dishonest, fraudulent, criminal or malicious acts; provided, however:
 - (1) with respect to Insuring Agreement Coverages A and B only, the Company will defend any civil Suit (as defined in subparagraphs (I)(1) or (I)(2) above in the Definitions Section) alleging any of the foregoing conduct until there is a judgment against, final adjudication against or adverse finding of fact against an Insured, or adverse admission by an Insured, at which time the Named Insured or Insured shall reimburse the Company for Defense Expenses; provided, however, the Company will not defend such Suits if they allege any of the foregoing conduct which has been the subject of a criminal proceeding in which an Insured has been found guilty, or pleaded *nolo contendere* or no contest;
 - (2) this exclusion shall not apply to Claims arising from corporal punishment of any student or pupil administered by or at the direction of such Insured while performing Professional Activities;
 - (3) this exclusion shall not apply to coverage afforded under Insuring Agreement Coverages C or E;
- (i) alleging or arising out of Claims brought by any employee or former employee of a Named Insured; provided, however, that this exclusion shall not apply to: (i) any Claim made or Suit brought against an Insured by or on behalf of another employee of a Named Insured if such Claim or Suit arises out of a Wrongful Act as a member

of a Board of Commission, established by the State of Georgia, which has as its purposes the licensure or certification of educators, or the setting of standards for the licensure or certification of educators, and (ii) any Claim made or Suit brought against an Insured by or on behalf of a minor or incompetent child of an employee of a Named Insured, if such Claim or Suit arises out of a Wrongful Act;

- (j) alleging or arising out of any Wrongful Act whereby an Insured intentionally causes damage of any nature to another person or entity; provided, however, this exclusion does not apply to: (i) Claims arising from corporal punishment of any student or pupil administered by or at the direction of such Insured while performing Professional Activities, or (ii) coverage afforded under Insuring Agreement Coverages C or E;
- (k) alleging or arising out of any action seeking declaratory judgments, injunctive relief, or other similar proceeding, unless the relief prayed for therein also seeks Damages which are covered under Insuring Agreement Coverages A or B;
- (l) alleging or arising out of any activities of any Insured while acting as a member of any school board or similarly constituted body;
- (m) arising out of any sexual molestation or harassment; provided, however,
 - (1) with respect to Insuring Agreement Coverages A and B only, the Company will defend any civil Suit (as defined in subparagraphs (l)(1) or (l)(2) above in the Definitions Section) alleging any of the foregoing conduct until there is a judgment against, final adjudication against or adverse finding of fact against an Insured, or adverse admission by an Insured, at which time the Named Insured or Insured shall reimburse the Company for Defense Expenses; provided, however, the Company will not defend such Suits if they allege any of the foregoing conduct which has been the subject of a criminal proceeding in which an Insured has been found guilty, or pleaded *nolo contendere* or no contest; or
 - (2) this exclusion shall not apply to coverage afforded under Insuring Agreement Coverages C or E;
- (n) alleging or arising out of any Claims, accusations or charges brought against any Insured, and to any obligation or duty of the Company to afford defense for such Claims, accusations or charges, which are made because of any damages or Bodily Injury arising out of Human Immune Deficiency Virus (HIV) Acquired Immune Deficiency Syndrome (AIDS), no matter how transmitted;
- (o) alleging or arising out of Bodily Injury, Property Damage, personal injury or advertising injury arising out of, in connection with or relating to the existence, monitoring, removal, transport, storage, installation or use of, testing for or contamination from, asbestos, mold or any hazardous, illegal or infectious substances;
- (p) arising out of any pending or prior litigation as of the Continuity Date set forth in the Declarations, or from the same or substantially related facts as alleged in such pending or prior litigation;
- (q) arising out of the same or related Wrongful Acts alleged or contained in any Claim which has been reported, or in any circumstances of which notice has been given,

under any policy of which a this policy is a renewal or replacement or which it may succeed in time;

- (r) alleging or arising out of a Wrongful Act occurring prior to the Continuity Date if, as of that date, a Named Insured or an Insured knew that such Wrongful Act did or would result in a Claim against an Insured;
- (s) alleging or arising out of:
 - (1) the purchase, sale, offer of or solicitation of an offer to purchase or sell securities;
 - (2) any violation of any securities law, including provisions of the Securities Act of 1933, or the Securities Exchange Act of 1934, as amended, or any regulation promulgated under the foregoing statutes, or any federal, state or local laws similar to the foregoing statutes (including "Blue Sky" laws), whether such law is statutory, regulatory or common law; or
 - (3) any violation of the Organized Crime Control Act of 1970 (commonly known as "Racketeer Influenced And Corrupt Organizations Act" or "RICO"), as amended, or any regulation promulgated thereunder or any similar federal, state or local law similar to the foregoing, whether such law is statutory, regulatory or common law;
- (t) alleging, arising out of common, based upon, attributable or in any way involving, directly or indirectly:
 - (1) the actual, alleged or threatened discharge, dispersal, release or escape of Pollutants, or
 - (2) any direction or request to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize Pollutants,including but not limited to any Claim alleging Damages to the Employer;

"Pollutants" include (but are not limited to) any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste; and Waste includes (but is not limited to) materials to be recycled, reconditioned or reClaimed; or
- (u) alleging or arising out of any breach of fiduciary duty, responsibility, or obligation in connection with any employee benefit or pension plan, including violation of the responsibilities, obligations or duties imposed upon fiduciaries by the Employee Retirement Income Security Act of 1974 (ERISA) or amendments thereto, or similar statutory or common law of the United States of America or any state or jurisdiction therein;
- (v) alleging or arising out of any employment practices liability or any discrimination therein, including, but not limited to: race, creed, color, religion, ethnic background, national origin, age, handicap, disability, gender, sexual orientation or pregnancy;
- (w) alleging or arising out of any misappropriation of trade secret or infringement of patent, copyright, trademark, trade dress or any other intellectual property right or any right of privacy; or

- (x) alleging or arising out of:
 - (1) false arrest, detention or imprisonment;
 - (2) libel, slander or defamation of character; or
 - (3) wrongful entry or eviction.

CONDITIONS

1. Limits of Liability

The Limits of Liability stated in the Declarations as applicable to a specific Insuring Agreement Coverage Part are the limits of the Company's liability with respect to each Coverage Part for all Damages, Defense Expenses, or other attorney fees, charges, expenses, judgments, issuance of awards, settlements, and interest accrued on awards prior to the entry of judgment, regardless of the number of persons, occurrences, Claims or entities covered by this policy, or claimants or Claims brought against any Insured.

If two or more Insuring Agreement Coverage Parts apply to Damages, Defense Expenses, or other fees, charges or expenses and the amount of the Limits of Liability available to each Insuring Agreement Coverage Part differ, the most the Company will pay for Damages, Defense Expenses, or other fees, charges or expenses covered by any single Coverage Part is the Limit of Liability applicable to that Coverage Part. In any event, the highest applicable Limit of Liability shall be the Company's maximum limit of liability for all Damages, Defense Expenses, or other fees, charges or expenses from such Claim. Damages, Defense Expenses, or other fees, charges or expenses arising out of the same Wrongful Acts, or a series of continuous, repeated or related Wrongful Acts shall be deemed to arise from the first such Wrongful Act.

The Limits of Liability for any Extended Reporting Period shall be part of and not in addition to the Limits of Liability stated in the Declarations for the Policy Period.

Further, each and every Claim made subsequent to the Policy Period or an applicable Extended Reporting Period, that pursuant to Condition 2(c) below is considered made during the Policy Period or an Extended Reporting Period, shall also be subject to the same Limits of Liability afforded to Claims made and reported during the Policy Period.

2. Notice to the Company

- (a) Notice of a Claim shall be given in writing to to the following address:

AIG Technical Services, Inc.
P.O. Box 1000
New York, NY 10268

If mailed, the date of mailing shall constitute the date that such notice was given and proof of mailing shall be sufficient proof of notice.

A Claim shall be considered to have been first made against an Insured when written notice of such Claim is received by any Insured, by an Named Insured on the behalf of any Insured or by the Company, whichever comes first.

- (b) A Named Insured or any Insured shall, as a condition precedent to the obligations of the Insurer under this policy, give written notice to the Company of any Claim made against an Insured as soon as practicable during the Policy Period.
- (c) If written notice of a Claim has been given to the Company pursuant to Condition 2(b) above, then any Claim subsequently made against the Insureds and reported to the Insurer alleging, arising out of, based upon or attributable to the facts alleged in that Claim for which such notice has been given shall be considered first made at the time such prior Claim was first made.
- (d) If during the Policy Period or during an applicable Extended Reporting Period an Insured shall become aware of any circumstances which may reasonably be expected to give rise to a Claim being made against an Insured for a Wrongful Act that occurs prior to the end of the Policy Period, and, during the Policy Period or any applicable Extended Reporting Period, an Insured gives written notice to the Company of (i) such circumstances, (ii) the Wrongful Act allegations anticipated and (iii) the reasons for anticipating such a Claim, with full particulars as to dates, persons and entities involved, then any Claim that is subsequently made against an Insured arising out of such Wrongful Act or the same Wrongful Act or Related Wrongful Acts, shall be treated as a Claim made against such Insured and reported to the Company at the time such notice of such circumstances was given.

3. Your Assistance and Cooperation

- (1) Each and every Insured agrees to cooperate with and help the Company
 - (a) in making settlements, subject to sub-paragraph (3) herein;
 - (b) in enforcing any legal rights an Insured or the Company may have against anyone who may be liable to an Insured;
 - (c) by attending depositions, hearings and trials; and
 - (d) by securing and giving evidence, and obtaining the attendance of witnesses.
- (2) Each and every Insured shall take such actions which, in such Insured's judgment, are deemed necessary and practicable to prevent or limit Damages or Defense Expenses arising from such Insured's Wrongful Acts.
- (3) Insureds shall not admit any liability, assume any financial obligation or pay out any money without the Company's prior written consent. If such Insured does so, such Insured shall have done so at his or her own expense. In addition, no Insured shall

take any action, or fail to take any required action, without our written consent, which prejudices the Company's rights under this policy.

4. Action Against Company

No action shall lie against the Company, unless as a condition precedent thereto, the Insured shall have fully complied with all terms of this policy, or until the amount of the Insured's obligation to pay shall have been finally determined either by judgment against the Insured after actual trial or by written agreement of the Insured, the Claimant and the Company. Any person or organization or the legal representative thereof who has accrued such judgment or written agreement shall thereafter be entitled to recover under this policy to the extent of the insurance afforded by this policy. Nothing contained in this policy shall give any person or organization any right to join the Company as co-defendant in any action against the Insured to determine the Insured's liability. Bankruptcy or insolvency of the Insured or of the Insured's estate shall not relieve the Company of any of its obligations hereunder.

5. Other Insurance

If other insurance, excluding policies issued by the Company, is available to the Insured covering a loss also covered by this policy, then this policy shall apply in excess of, and shall not contribute with, such other insurance.

If any other policy issued by the Company also applies to a loss which would be covered by this policy then this policy will pay its share of the loss based on the percentage this policy's limit of liability bears to the total limits of liability of all insurance available to pay the loss.

Other Insurance includes but is not limited to:

- (a) Insurance, coverage or benefits provided by school boards, school districts or any similar entity;
- (b) Insurance, coverage or benefits provided by the National Education Association or similar organization; and
- (c) Insurance, coverage or benefits provided by self-insurance, trusts, pools, risk retention groups, captive insurance companies, or any other insurance plan or agreement of risk assumption.

6. Subrogation

In the event of any payment under this policy, the Company shall be subrogated to all the Insured's right of recovery therefor against any person or organization and the Insured shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The Insured shall do nothing after a loss to prejudice such rights.

7. Spousal and Legal Representative Extension

If a Claim against a natural person Insured includes a Claim against: (a) the lawful spouse of such Insured; or (b) a property interest of such spouse, and such Claim arises from any actual or alleged Wrongful Act of such Insured, this policy shall cover Damages and Defense Expenses arising from the Claim made against that spouse or the property of that spouse to the extent that such Damages or Defense Expenses do not arise from a Claim for any actual or alleged act, error or omission of such spouse. This policy shall cover Damages and Defense Expenses arising from a Claim made against the estates, heirs, or legal representatives of any deceased natural person Insured, and the legal representatives of any natural person Insured, in the event of incompetency, insolvency or bankruptcy, who was an Insured at the time the Wrongful Acts upon which such Claim is based were committed.

8. Changes

Notice to any agent or knowledge possessed by any agent or by any other person shall not effect a waiver or a change in any part of this policy or estop the Company from asserting any right under the terms of this policy; nor shall the terms of this policy be waived or changed, except by endorsement issued to form a part of this policy.

9. Optional Extended Reporting Period

Except as indicated below, if the Named Insured shall cancel or the Company or the Named Insured refuse to renew this policy, the Named Insured shall have the right to a period of one (1) year following the effective date of such cancellation or nonrenewal (an "Extended Reporting Period"), upon payment of an additional premium amount of up to one hundred percent (100%) of the full annual premium, in which to give to the Company written notice pursuant to Condition 2 above of Claims (1) first made against an Insured during said Extended Reporting Period and (2) solely with respect to a Wrongful Act committed prior to the end of the Policy Period and otherwise covered by this policy. If the Named Insured exercises its right to purchase an Extended Reporting Period, that period incepts at the end of the Policy Period.

As used herein, "full annual premium" means the premium level in effect immediately prior to the end of the Policy Period.

An Extended Reporting Period is not cancelable and the additional premium charged shall be fully earned at inception. This Condition 9 shall not apply to any cancellation resulting from non-payment of premium. The rights contained in this Condition 9 shall terminate unless written notice of election of an Extended Reporting Period together with any additional premium due is received by the Company no later than thirty (30) days subsequent to the effective date of the cancellation or nonrenewal.

10. Cancellation

This policy may be canceled by the Named Insured for any reason by surrender thereof to the Company or any of its authorized agents or by mailing to the Company written notice stating when thereafter the cancellation shall be effective. This policy may be canceled by the Company only for non-payment of premium by mailing to the Named Insured at the address shown on the policy, written notice stating when not less than ten days thereafter such cancellation shall be effective. The mailing of notice as aforesaid shall be sufficient proof of notice. The time of surrender of the effective date and hour of cancellation stated in the notice shall become the end of the policy period. Delivery of such written notice either by the Named Insured or by the Company shall be equivalent to mailing.

If the Named Insured or the Company cancels the policy, earned premium shall be computed on a pro rata basis. Premium adjustment may be made either at the time cancellation is effected or as soon as practicable after cancellation becomes effective. Any other premium adjustment or return premium as would apply had cancellation not been affected shall be computed substituting the date of cancellation for the expiration date of this policy.

11. Terms of Policy Conformed to Statute

Terms of this policy, which are in conflict with the statutes of the state wherein this policy is issued, are hereby amended to conform to such statutes.

IN WITNESS WHEREOF, the Company has caused this policy to be signed by its president and secretary and countersigned where required by law on the Declarations page by a duly authorized representative of the Company.